WEEKLY ECONOMIC REVIEW

AUGUST 26, 2005

The price of oil reached another record high this week, closing at $67.49 (US) on Thursday following a sharp decline in U.S. gasoline inventories. Natural gas prices also rose, supported by higher oil prices and signs of rising U.S. demand.

Canadian economic data this week were largely positive. June retail sales exceeded market expectations, rising 1.1% for the month. Canadian corporate profits rose 2.9% in the second quarter of 2005, and were up 5.2% on a year-over-year basis.

Canada's CPI inflation rate rose to 2.0% in July. However, the core inflation rate fell to 1.4% (from 1.5% in June), indicating that underlying inflationary pressures remain modest. In Alberta, CPI inflation rose to 2.2%, although core inflation fell to 0.9%.

The Canadian dollar reached its highest level to date in 2005, trading at over 84 cents US on Thursday. The dollar gained support from continued positive Canadian economic data and rising energy prices, although it fell back slightly in the wake of the July CPI report. With inflation seemingly well contained, the Bank of Canada is expected to proceed slowly with interest rate increases (the first of which is still expected on September 7).

Cdn Dollar (C¢/US$)

Aug 26, 2005	83.6¢
Aug 19, 2005	82.4¢
2005-06 YTD	81.1¢

WTI Oil $US/bbl

Aug 25, 2005	$67.49
Aug 18, 2005	$63.27
2005-06 YTD	$56.43

Nymex Natural Gas C$/mcf*

October Contract

Aug 26, 2005	$11.79
Aug 19, 2005	$11.01

*Estimate based on Nymex Futures Market Price

Statistics Canada reported that the average earnings of Albertans rose 4.9% in the first half of the 2005 - the highest rate of increase among provinces, and more than double the national increase (2.2%). Supported by these robust income gains, Alberta's retail sales were up a remarkable 11.7% through the first six months of 2005.

Economic Indicators Released This Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Consumer Price Index ($ millions)	**July**			
Alberta	135.0	0.8%	2.2%	1.6%
Canada	127.5	0.2%	2.0%	2.0%
Retail Trade ($ millions)	**June**			
Alberta	4,038	-0.3%	12.4%	11.7%
Canada	30,782	1.1%	6.8%	6.9%
		Quarter/Previous Quarter	**Quarter/ Previous Year's Quarter**	**Year-to-date[1]**
Farm Cash Receipts ($ millions)	**2nd Quarter**			
Alberta	1,995	-5.3%	5.3%	-0.3%
Canada	9,476	0.6%	4.2%	4.0%

Source: Statistics Canada

[1]Year-to-date 2005 compared to the same time period in 2004. For example: January-June 2005 versus January-June 2004.

Alberta Finance